



SACHI A. HAMAI
Chief Executive Officer

County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

"To Enrich Lives Through Effective And Caring Service"

Board of Supervisors
HILDA L. SOLIS
First District

MARK RIDLEY-THOMAS
Second District

SHEILA KUEHL
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

September 13, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

20 September 13, 2016

LORI GLASGOW
EXECUTIVE OFFICER

MEDICAL, DENTAL, LIFE INSURANCE, AND DISABILITY PLANS FOR 2017 (ALL SUPERVISORIAL DISTRICTS) (3 VOTES)

SUBJECT

Recommendation to approve premium rates for the 2017 calendar year for the medical, dental, life, and disability benefit plans applicable to represented and non-represented employees.

IT IS RECOMMENDED THAT THE BOARD:

1. Approve proposed premium rates for County-sponsored plans as follows: (a) medical and dental rates for represented employees for the period January 1, 2017 through December 31, 2017, as recommended in this letter and shown in Exhibit I; (b) medical and dental rates for non-represented employees for the period January 1, 2017 through December 31, 2017, as recommended in this letter and shown in Exhibit II; (c) basic life and accidental death and dismemberment (AD&D) insurance rates for represented and non-represented employees and, for represented employees only, optional group term life and dependent term life insurance rates, for the period January 1, 2017 through December 31, 2019, as shown in Exhibit III; (d) Optional Group Variable Universal Life (GVUL) and dependent term life insurance for non-represented employees for the period January 1, 2017 through December 31, 2021, as shown in Exhibit III; (e) Survivor Income Benefit (SIB) rates for non-represented employees for the period January 1, 2017 through December 31, 2021, as shown in Exhibit III; and (f) rates for Short-Term Disability (STD), Long-Term Disability (LTD), and LTD Health Insurance plans, as shown in Exhibit IV.
2. Instruct County Counsel to review and approve as to form the appropriate agreements and/or amendments as follows:

- a. Anthem Blue Cross and Anthem Blue Cross Life and Health Insurance Company (Anthem Blue Cross); Cigna Health and Life Insurance Company and Cigna Healthcare of California, Inc. (Cigna); Kaiser Foundation Health Plan, Inc. (Kaiser); Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser Mid-Atlantic); UnitedHealthcare of California and UnitedHealthcare Insurance Company (UnitedHealthcare); SafeGuard Health Plans, Inc. (SafeGuard); Delta Dental of California (Delta Dental PPO); and Delta Dental of California for DeltaCare USA (DeltaCare USA); or their successors and affiliates, as necessary, for the period January 1, 2017 through December 31, 2017.
 - b. Life Insurance of North America (LINA) or their successors or affiliates, as necessary, for the period January 1, 2017 through December 31, 2019.
 - c. Metropolitan Life Insurance Company (MetLife) or their successors or affiliates, as necessary, for the period January 1, 2017 through December 31, 2021.
3. Instruct the Chair to sign the aforementioned agreements and/or amendments.
 4. Approve proposed premium rates for the health plans sponsored by the Association for Los Angeles Deputy Sheriffs, Inc. (ALADS); the Los Angeles County Fire Fighters Local 1014 (Local 1014); and the California Association of Professional Employees (CAPE), for the period January 1, 2017 through December 31, 2017, as shown in Exhibit V.
 5. Instruct the Auditor-Controller to make all payroll system changes necessary to implement the changes recommended herein to ensure that all changes in premium rates are first reflected on pay warrants issued on January 13, 2017.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Purpose

The County maintains employee health, dental, group life, and other insurance programs to provide benefits that promote the effectiveness, health, and welfare of its workforce. The current premium rates and/or agreements for all County and union-sponsored medical, dental, and life insurance plans will end on December 31, 2016. The purpose of the recommendations contained in this letter is to implement negotiated agreements with carriers to continue existing benefits and to adopt changes, as recommended, for the 2017 calendar year.

Justification

Overall Premium Negotiation Process and Results:

County-Sponsored Plans in General

The recommendations regarding the County-sponsored plans (Exhibits I, II, III and IV) are the result of negotiations between the health, dental, and life insurance carriers and the County negotiating team consisting of representatives of the Chief Executive Office (CEO), Department of Human Resources (DHR), and the County's group insurance consultant, Aon Hewitt (Aon). The unions' benefit consultants also provided input during the insurance carrier negotiation process for County-

sponsored plans with benefits governed by the Fringe Benefits Memoranda of Understanding (MOUs) with Service Employees International Union (SEIU) Local 721 (Local 721) and the Coalition of County Unions (CCU).

Aon has concluded that the County-sponsored plans carriers' final negotiated rates are justified. Their opinion and the supporting due diligence are documented in Attachments A and B.

In general, County medical and dental plans are rated by carriers based on the cost of claims, claims trend, and administration costs. The ratings also consider the health risk and the utilization of health care by County employees and their covered dependents. The County-sponsored medical plan rates recommended in this letter will increase an average of 3.1 percent for represented employees and 3.5 percent for non-represented employees, for an overall average increase of 3.2 percent over 2016 rates. Aon estimates that the average nationwide medical cost trend will increase 6.4 percent in 2017, compared to 2016. The estimated average nationwide increase is double the average County plan premium increase for 2017.

The nationwide dental cost trend continues to be more moderate than the medical cost trend, averaging a 2 percent to 3 percent increase over 2016 rates, depending on the type of plan. The rates for the County's Delta Dental PPO plan, which covers the majority of the County's employees, will decrease for represented and non-represented employees for 2017.

The 2017 rates for basic life and dependent life insurance for represented employees will remain the same as the 2016 rates, while optional group term life and AD&D insurance rates will decrease and are guaranteed through 2019. The 2017 rates for Optional GVUL, dependent term life insurance, and SIB for non-represented employees will decrease for 2017 and are guaranteed through 2021.

County Approved Union-Sponsored Plans

The premium and benefit recommendations in Exhibit V for County-approved union-sponsored health plans were negotiated by the sponsoring unions and evaluated by the CEO and DHR pursuant to the relevant provisions of the CCU Fringe MOU and County Code. The joint CEO and DHR recommendations are provided later in this report.

Renewal Policy and Process

In accordance with County policy, the County negotiating team requires all carriers to justify rates and support proposed contract terms for the upcoming plan year. The rate renewal process for 2017 (Attachments A and B) was designed to encourage full involvement and transparency among all County, union, and carrier stakeholders. The process involved production of data by carriers as needed, identification, in-depth analysis, and evaluation of all material underwriting issues in carrier proposals, and documentation of due diligence and financial results. All parties complied with the process.

Overall Results

Attachment C is a high level summary of carrier negotiation results that compare the estimated actual total premiums from initial carrier premium quotes for 2017 with the final result after performance guarantee review, challenges to carrier underwriting, and negotiation. Total savings from initial carrier proposals is \$13 million. This amount includes \$11.4 million in negotiated savings and \$1.6 million from performance guarantee refunds and rate credits.

Total 2017 premiums to be paid to health, dental, group life, and other insurance plan carriers are estimated to be \$1.51 billion, of this total approximately \$1.243 billion is for County-sponsored plans and \$270.6 million for Union-sponsored plans. This is an increase of approximately \$64 million (4.4 percent) over 2016.

Attachment C also reflects the percentage increase for each carrier by cafeteria plan as well as the total increase for County-sponsored health, dental, group life, and other insurance programs. The increase in medical plan premiums estimated to be paid to health carriers during 2017, as shown on Attachment C, will range from 1.3 percent to 8 percent (3.2 percent average). This is half the average projected nationwide medical cost trend increase of 6.4 percent for 2017. Basic life and dependent life insurance rates will remain the same as 2016 for 2017, while optional life and AD&D insurance rates will decrease for 2017 for represented employees. GVUL, dependent life, and SIB rates will decrease for 2017 for non-represented employees. The 2017 PPO dental rates, which cover the majority of employees, will decrease for represented and non-represented employees.

2017 Premium Rates Recommended for Approval:

Recommended Rates

County and union-sponsored health, dental, group life, and other insurance rates recommended for adoption are shown in Exhibits I through V. Unless otherwise noted in this letter, the rates support existing benefits consistent with the applicable MOU or County Code provision. The rates shown in these exhibits are the monthly prices that employees will pay from County cafeteria plan contributions after County subsidies are subtracted from negotiated premium rates paid to carriers. For this reason, percentage increases in premium rates to be charged to employees as shown in the Exhibits, in many cases, may differ from the negotiated increases in premium to be paid to carriers as reported in the body of this letter and in Attachment C.

Union Concurrence

On July 20, 2016, Local 721 and management representatives in the Labor-Management Benefits Administration Committee (BAC) voted to recommend the premium rates for the County-sponsored plans applicable to employees represented by Local 721.

On July 21, 2016, the CCU and management representatives in the Labor-Management Employee Benefits Administration Committee (EBAC) voted to recommend the premium rates for employees represented by the CCU.

Impact of the Affordable Care Act (ACA)

In general, the ACA enacted reforms to provide affordable health insurance to uninsured Americans. In 2016, fees and assessments mandated by the ACA on health insurance providers accounted for between 0.4 to 3.4 percent of the County's health care premium costs. These fees and assessments included a Health Insurance Industry Fee, a Transitional Reinsurance Fee, and a Patient Centered Outcomes Research Institute (PCORI) Fee. Under the Consolidated Appropriations Act of 2016, the U.S. Congress suspended collection of the Health Insurance Industry Fee for 2017. The Transitional Reinsurance Fee under the ACA will expire on December 31, 2016, and will not be assessed in future years. The suspension and expiration of these two ACA fees mitigated the County's aggregate annual premium increase for 2017 by approximately 0.4 percent to 3.4 percent for the medical plans and 1 percent to 2.1 percent for the dental plans.

The ACA requires that most Americans have health coverage or pay a penalty. The Individual Mandate was first effective in 2014. The Employer Mandate, first effective in 2015, requires large employers, including the County, to offer adequate, affordable insurance to all full time employees. The health coverage offered to County employees continues to more than meet the standards of both the Individual Mandate and the Employer Mandate of the ACA.

The health insurance marketplaces and exchanges operated by or for the States under the ACA are designed primarily for individuals who are not offered employer subsidized health insurance coverage or are offered coverage that does not meet the ACA's minimum value and affordability standards. Therefore, the health insurance marketplaces and exchanges are generally not relevant to County employees. Nevertheless, as required by the U.S. Department of Labor, the County will continue to deliver an informational notice about the health insurance marketplaces in the County's benefits enrollment packages.

Implementation of Strategic Plan Goals

The recommended actions are consistent with the principles of the Countywide Strategic Plan by promoting the well-being of County employees and their families by offering comprehensive employee benefits.

FISCAL IMPACT/FINANCING

Each cafeteria plan, including represented employee plans provided by MOUs with County unions, provides for a County contribution and, in some cases, an additional subsidy to help pay the cost of insurance benefits. Employees pay for additional costs above and beyond the County contributions through payroll deductions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The general facts concerning 2017 premium rates for County-sponsored plans affecting both represented and non-represented employees are stated in this section. The details of each carriers' County-sponsored medical, dental, group life, and other insurance plan proposal, Aon's evaluation and opinion concerning their justifications and terms of offer are given in Attachments A and B.

Medical Plan Rates Affecting Represented Employees

Cigna Rates for 2017:

Cigna provides two different plans to employees represented by the CCU: a Health Maintenance Organization (HMO) and a point of service plan (POS). The 2017 negotiated contract rates for the HMO and POS plans will both increase 7.9 percent. Aon's opinion certifying Cigna's 2017 rates as justified is included in Attachment A.

Kaiser Rates for 2017:

Kaiser's 2017 rates will increase 1.9 percent for the CCU plan and 1.7 percent for the Local 721 plan.

Aon's opinion certifying Kaiser's 2017 rates as justified is included in Attachment A.

UnitedHealthcare Benefit Plan Rates for 2017:

UnitedHealthcare provides two fully insured plans to employees represented by Local 721: an HMO and a preferred provider organization (PPO) plan. The 2017 overall negotiated contract premium rates for both plans will increase 5 percent (4.8 percent for the HMO and 23.9 percent for the PPO). The 5 percent increase is calculated based on premium dollars of both plans, not the average of their percentage increases. Aon's opinion certifying UnitedHealthcare's 2017 rates as justified is included in Attachment A.

Union-Sponsored Benefits Plan Rates for 2017:

Premiums for County-approved union-sponsored plans will also increase for 2017. The estimated increase in premiums paid to carriers in 2017 on behalf of the union-sponsored plans is approximately \$12.4 million or 4.8 percent over 2016. Proposed 2017 premium increases to be paid to carriers for the ALADS, CAPE, and Local 1014 plans are summarized below:

1. ALADS Anthem Blue Cross plans, a 5.9 percent increase with the following enhanced or added benefits:
 - a. Dental annual maximums will increase from \$1,500 to \$1,750
 - b. Orthodontia lifetime maximums will increase from \$1,500 to \$1,750
2. CAPE Blue Shield plans, a 3.8 percent increase
3. Local 1014 plan, a 4.5 percent increase with the following enhanced or added benefits:
 - a. Increase Excess Dental from \$1,000 to \$1,500 annually
 - b. Increase Orthodontia from \$2,000 to \$3,000 lifetime
 - c. Enhance VSP benefits including:
 - Raise the Plan Allowances (currently \$175 for Frames, \$200 for Contact Lenses) to \$300 each for both Frames & Contacts
 - Add 2nd Pair Frame and Lens Benefit (with Covered Enhancements) for Employees and Dependents
 - Add Ultra-Violet protection lens coating
 - Add Retinal Screening as Covered-in-full \$0 Copay, with same covered enhancements as full service plan
 - Add Coverage for RX Fire Mask Insert (Firefighter only, Lens Only)
 - Suncare Plan: Use annual frame allowance toward ready to wear, non-prescription sunglasses from a VSP provider with Covered Enhancements

The subsidized rates to be paid by employees enrolled in union-sponsored plans are summarized in Exhibit V. Union-sponsored plans' 2017 rates are documented in the Union request letters attached to Exhibit V. We have reviewed the changes for all three plans and support them.

Dental Plan Rates Affecting Represented Employees

The recommended employee contribution rates for County-sponsored represented employee dental plans are summarized in Exhibit I. The employee contribution rates shown for the Delta Dental PPO plan are Delta's proposed rates for 2017, less current County subsidies included in the current fringe benefit agreements with Local 721 and the CCU. The rates for prepaid dental plans (DeltaCare USA and SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO plan contract rates will decrease 5.0 percent for the CCU plan and 7.1 percent for the Local 721 plan for 2017. For the Local 721 plan, due to favorable experience and a surplus in the premium stabilization reserve, there will be a one month premium holiday during 2017 for the Delta Dental PPO plan.

DeltaCare USA's rates will remain the same as 2016 for both CCU and Local 721 for 2017.

SafeGuard's contract rates will remain the same for 2017. SafeGuard's billed rates will decrease 0.2 percent for 2017 due to the crediting of performance guarantee penalties.

Aon's opinion certifying the dental rates as justified is included in Attachment A.

Life Insurance and Disability Programs for Represented Employees

Basic term life and dependent life insurance rates remain the same as 2016 for 2017. Optional group term life insurance rates will decrease 5 percent, and AD&D insurance rates will decrease 4.8 percent for 2017. Rates are guaranteed through 2019.

Medical Plan Rates Affecting Non-represented Employees

Non-represented employees who participate in the MegaFlex and Flexible Benefit plans have a choice between Kaiser and four Anthem Blue Cross health plans, which include an HMO, POS, PPO, and a Catastrophic Plan.

For 2017, the average increase in contract rates for the Anthem Blue Cross HMO and Anthem Blue Cross indemnity plans (POS, PPO, and Catastrophic) will be 1.3 percent.

Kaiser's 2017 rates will increase 7.6 percent over the 2016 rates for non-represented employees.

The 2017 negotiated contract rates for the Kaiser Mid-Atlantic plan, available to the CEO employees working in the Washington, DC area, are community rated and will increase 4.5 percent for 2017. There is currently one employee enrolled in this plan.

In an analysis Aon conducted for the County, we determined that the current ratio of the employee only rates is out of line with the actual costs by dependent tier as well as the contributions made by the employees. We informed Anthem and Kaiser of the County's desire to recalibrate rates to continue to reflect the expected costs by tier and they support the change. Therefore, we propose to recalibrate the rates as well as the employee contributions towards the expected cost of the medical plans for 2017 in a cost-neutral manner for the County and the employees.

Aon has reviewed the proposed increases and recommends that the County accept the final 2017 renewals offered by Anthem Blue Cross and Kaiser. See attachment B for their review and opinion.

We recommend that the Board continue the historical County practice of funding any difference between the negotiated contract cost of these plans and the contribution paid by the employees. The recommended employee contribution rates for non-represented employees are summarized in Exhibit II.

Dental Plan Rates Affecting Non-represented Employees

The recommended employee contribution rates for County-sponsored non-represented employee dental plans are summarized in Exhibit II. The Delta Dental PPO rates have been reduced by current County subsidies previously approved by the Board. The rates for prepaid dental plans (DeltaCare USA and SafeGuard) are the rates negotiated with the carriers.

The Delta Dental PPO plan contract rates will decrease 2.1 percent and DeltaCare USA's rates will remain the same as 2016 for 2017.

SafeGuard's contract rates will remain the same as 2016 rates.

Aon's opinion certifying the dental rates as justified is included in Attachment B.

Life Insurance and Disability Programs for Non-represented Employees

GVUL life and dependent term life insurance rates will decrease 8 percent and SIB rates will decrease 15 percent for 2017. These rates are guaranteed through 2021 for non-represented employees. Cigna's basic term life insurance for non-represented employees under the Flex plan will remain the same as 2016 for 2017 and are guaranteed through 2019. Cigna's AD&D rates will decrease 4.8 percent for 2017 and are guaranteed through 2019.

There will be no changes in the cost of LTD, LTD Health Insurance, and STD rates for 2017.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

None.

The Honorable Board of Supervisors

9/13/2016

Page 9

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Sachi A. Hamai". The signature is fluid and cursive, with a long horizontal stroke at the end.

SACHI A. HAMAI

Chief Executive Officer

SAH:JJ:SK

MTK:SM:DC:mst

Enclosures

c: Executive Office, Board of Supervisors
County Counsel
Auditor-Controller
Human Resources
SEIU Local 721
Coalition of County Unions
Aon Hewitt

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

Plan	Option	Coverage Category ^a	Current 2016 Rates ^b	Proposed 2017 Rates ^b	Percentage Change
CIGNA Choices	Network HMO	1	\$ 747.89	\$ 807.05	7.9%
		2	\$ 1,497.57	\$ 1,617.66	8.0%
		3	\$ 1,724.53	\$ 1,863.44	8.1%
	Network POS	1	\$ 1,345.81	\$ 1,452.17	7.9%
		2	\$ 2,398.48	\$ 2,589.22	8.0%
		3	\$ 2,516.09	\$ 2,716.21	8.0%
CIGNA Options	Network HMO	1	\$ 741.89	\$ 801.05	8.0%
		2	\$ 1,494.01	\$ 1,614.10	8.0%
		3	\$ 1,718.97	\$ 1,857.88	8.1%
	Network POS	1	\$ 1,339.81	\$ 1,446.17	7.9%
		2	\$ 2,394.92	\$ 2,585.66	8.0%
		3	\$ 2,510.53	\$ 2,710.65	8.0%
KAISER Choices		1	\$ 661.86	\$ 674.22	1.9%
		2	\$ 1,318.27	\$ 1,343.00	1.9%
		3	\$ 1,530.06	\$ 1,558.75	1.9%
KAISER Options		1	\$ 623.40	\$ 634.33	1.8%
		2	\$ 1,249.79	\$ 1,271.67	1.8%
		3	\$ 1,449.20	\$ 1,474.57	1.8%
UNITEDHEALTHCARE Options	HMO	1	\$ 660.44	\$ 692.40	4.8%
		2	\$ 1,337.21	\$ 1,401.79	4.8%
		3	\$ 1,548.47	\$ 1,623.27	4.8%
	PPO	1	\$ 2,085.86	\$ 2,585.11	23.9%
		2	\$ 4,215.46	\$ 5,223.68	23.9%
		3	\$ 4,883.79	\$ 6,051.99	23.9%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

CIGNA, Kaiser, and UnitedHealthCare rates include mandatory Federal healthcare reform & Autism benefit costs.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR REPRESENTED EMPLOYEES
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

Plan	Option	Coverage Category ^a	Current 2016 Rates ^b	Proposed 2017 Rates ^b	Percentage Change
DELTA DENTAL ^{b,c} Choices		1	\$ 23.26	\$ 21.07	-9.4%
		2	\$ 38.92	\$ 35.17	-9.6%
		3	\$ 58.33	\$ 52.58	-9.9%
DELTA DENTAL ^{b,c} Options		1	\$ 40.48	\$ 36.14	-10.7%
		2	\$ 67.82	\$ 60.45	-10.9%
		3	\$ 102.25	\$ 90.97	-11.0%
DELTACARE USA ^c Choices & Options		1	\$ 15.09	\$ 15.09	0.0%
		2	\$ 24.88	\$ 24.88	0.0%
		3	\$ 36.87	\$ 36.87	0.0%
SAFEGUARD ^{c,d} Choices & Options		1	\$ 11.34	\$ 11.30	-0.4%
		2	\$ 21.87	\$ 21.83	-0.2%
		3	\$ 28.51	\$ 28.47	-0.1%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Delta Dental rates reflect negotiated County subsidy.

^c Delta Dental, DeltaCare, and SafeGuard rates are guaranteed through 12/31/2017.

^d SafeGuard 2017 rates reflect a credit adjustment of four (4) cents for 2015 performance guarantee penalty.

**COUNTY-SPONSORED
MEDICAL AND DENTAL INSURANCE PLANS
FOR NON-REPRESENTED EMPLOYEES
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

Plan	Option	Coverage Category ^a	Current 2016 Rates ^b	Proposed 2017 Rates ^b	Percentage Change
ANTHEM BLUE CROSS	CaliforniaCare HMO	1	\$ 272.00	\$ 272.00	0.0%
		2	\$ 533.00	\$ 533.00	0.0%
		3	\$ 559.00	\$ 559.00	0.0%
		4	\$ 632.00	\$ 632.00	0.0%
	PLUS POS	1	\$ 411.00	\$ 411.00	0.0%
		2	\$ 827.00	\$ 827.00	0.0%
		3	\$ 847.00	\$ 847.00	0.0%
		4	\$ 942.00	\$ 942.00	0.0%
	Catastrophic	1	\$ 93.00	\$ 93.00	0.0%
		2	\$ 423.00	\$ 423.00	0.0%
		3	\$ 430.00	\$ 430.00	0.0%
		4	\$ 497.00	\$ 497.00	0.0%
	Prudent Buyer PPO	1	\$ 526.00	\$ 526.00	0.0%
		2	\$ 965.00	\$ 965.00	0.0%
		3	\$ 1,001.00	\$ 1,001.00	0.0%
		4	\$ 1,162.00	\$ 1,163.00	0.1%
KAISER Flex/Megaflex		1	\$ 272.00	\$ 272.00	0.0%
		2	\$ 533.00	\$ 533.00	0.0%
		3	\$ 559.00	\$ 559.00	0.0%
		4	\$ 632.00	\$ 632.00	0.0%
KAISER - MID-ATLANTIC		1	\$ 291.00	\$ 291.00	0.0%
		2	\$ 565.00	\$ 565.00	0.0%
		3	\$ 611.00	\$ 611.00	0.0%
		4	\$ 865.00	\$ 865.00	0.0%
DELTA DENTAL ^c Flex/Megaflex		1	\$ 31.85	\$ 30.75	-3.5%
		2	\$ 51.16	\$ 49.10	-4.0%
		3	\$ 54.59	\$ 52.62	-3.6%
		4	\$ 81.76	\$ 78.79	-3.6%
DELTACARE USA Flex/Megaflex		1	\$ 15.09	\$ 15.09	0.0%
		2	\$ 26.07	\$ 26.07	0.0%
		3	\$ 25.88	\$ 25.88	0.0%
		4	\$ 37.57	\$ 37.57	0.0%
SAFEGUARD ^d Flex/Megaflex		1	\$ 11.34	\$ 11.30	-0.4%
		2	\$ 21.23	\$ 21.19	-0.2%
		3	\$ 23.93	\$ 23.89	-0.2%
		4	\$ 31.23	\$ 31.19	-0.1%

- ^a 1 = Employee only
 2 = Employee + Child(ren)
 3 = Employee + Spouse
 4 = Employee + Spouse + Chil(ren)

^b Rates, where applicable, are net of County subsidy; except that the premium charged to an employee whose benefits are subject to COBRA is the carrier quoted rate plus an administrative charge as prescribed by COBRA.
 Anthem Blue Cross rates include the cost of the 360° health programs and the cost of the vision benefit for the HMO, POS, and PPO.
 Anthem Blue Cross and Kaiser rates include mandatory Federal healthcare reform & Autism benefit costs.

^c Delta Dental rates reflect negotiated County subsidy.

^d SafeGuard 2017 rates reflect a credit adjustment of four (4) cents for 2015 performance guarantee penalty.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

			Monthly Cost per \$1,000 of Insurance	
			<u>2016^a</u>	<u>2017^a</u>
COUNTY-PAID BASIC GROUP TERM-LIFE INSURANCE			\$0.146	\$0.146
OPTIONAL GROUP TERM LIFE INSURANCE FOR REPRESENTED EMPLOYEES				
Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:				
	<u>Age</u>		<u>2016^a</u>	<u>2017^a</u>
	Less than 30		\$0.037	\$0.035
	30-34		\$0.064	\$0.061
	35-39		\$0.072	\$0.068
	40-44		\$0.081	\$0.077
	45-49		\$0.120	\$0.114
	50-54		\$0.184	\$0.175
	55-59		\$0.346	\$0.329
	60-64		\$0.530	\$0.504
	65-69		\$0.756	\$0.718
	70 and over		\$1.454	\$1.381
Dependent Term Life Insurance:			<u>2016</u>	<u>2017</u>
Cost per month per \$5,000 of coverage, no matter how many eligible dependents employee may have.			\$0.876	\$0.876
Coverage is offered in increments of \$5,000 up to \$20,000.				
Dependent coverage cost is charged to the employee.				
^a The County subsidizes 15% of the monthly premium.				

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

OPTIONAL ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE - Cost per Month

Employee Coverage	Current 2016 Rates		Proposed 2017 Rates	
	Employee Only	Employee & Dependents	Employee Only	Employee & Dependents
	Plan G	Plan H	Plan G	Plan H
\$ 10,000	\$0.130	\$0.250	\$0.124	\$0.238
\$ 25,000	\$0.330	\$0.630	\$0.310	\$0.595
\$ 50,000	\$0.650	\$1.250	\$0.620	\$1.190
\$100,000	\$1.300	\$2.500	\$1.240	\$2.380
\$150,000	\$1.950	\$3.750	\$1.860	\$3.570
\$200,000	\$2.600	\$5.000	\$2.480	\$4.760
\$250,000	\$3.250	\$6.250	\$3.100	\$5.950
\$300,000	\$3.900	\$7.500	\$3.720	\$7.140
\$350,000	\$4.550	\$8.750	\$4.340	\$8.330
These figures apply regardless of employee's age. If Plan H is selected, all eligible dependents will be insured automatically.				
The maximum insurance coverage amount for represented participants is \$250,000.				

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

**OPTIONAL GROUP VARIABLE UNIVERSAL LIFE INSURANCE
FOR FLEX/MEGAFLEX PARTICIPANTS**

Employee: The monthly premium per \$1,000 of insurance is based on the employee's age as shown in the following table:

<u>Age</u>	<u>2017 Rate*</u>	<u>Age</u>	<u>2017 Rate*</u>	<u>Age</u>	<u>2017 Rate*</u>
20-24	\$0.035	57	\$0.260	77**	\$1.908
25-29	\$0.043	58	\$0.293	78**	\$2.154
30-34	\$0.051	59	\$0.328	79**	\$2.427
35-39	\$0.052	60	\$0.368	80**	\$3.133
40	\$0.060	61	\$0.415	81**	\$3.616
41-42	\$0.061	62	\$0.458	82**	\$3.944
43	\$0.068	63	\$0.492	83**	\$4.300
44	\$0.077	64	\$0.546	84**	\$4.685
45	\$0.086	65	\$0.567	85**	\$5.112
46	\$0.094	66	\$0.637	86**	\$5.559
47	\$0.101	67	\$0.677	87**	\$6.048
48	\$0.119	68	\$0.754	88**	\$6.572
49	\$0.127	69	\$0.838	89**	\$7.112
50	\$0.135	70	\$0.923	90**	\$7.663
51	\$0.152	71	\$1.020	91**	\$8.243
52	\$0.160	72	\$1.133	92**	\$8.838
53	\$0.176	73	\$1.244	93**	\$9.453
54	\$0.193	74	\$1.376	94**	\$10.077
55	\$0.219	75	\$1.517		
56	\$0.236	76**	\$1.685		

* Employee cost for MegaFlex employees is half of actual premium. The County pays the other 50%.

** For employees age 76-94 who remain in County service, County will subsidize the difference between the employee's cost of coverage using the premiums for the employee's actual age and cost of coverage using age 75 rate.

**LIFE, ACCIDENTAL DEATH AND DISMEMBERMENT
AND SURVIVOR INCOME BENEFIT PROGRAMS
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

Dependent Term Life Insurance for Flex and MegaFlex Participants

Cost per month per \$5,000 of dependent life coverage, up to \$20,000.	<u>2017 Rate</u> \$1.03
---	-----------------------------------

SURVIVOR INCOME BENEFIT - For MegaFlex participants enrolled in Retirement Plan E

2017 Rates

<u>Employee Age</u>	<u>Employee Cost*</u>				
	<u>(10% Option)</u>	<u>(15% Option)</u>	<u>(25% Option)</u>	<u>(35% Option)</u>	<u>(50% Option)</u>
Under 30	0.050%	0.080%	0.135%	0.185%	0.260%
30 to 34	0.070%	0.105%	0.170%	0.240%	0.345%
35 to 39	0.090%	0.135%	0.220%	0.315%	0.450%
40 to 44	0.125%	0.185%	0.315%	0.435%	0.620%
45 to 49	0.170%	0.250%	0.420%	0.585%	0.840%
50 to 54	0.220%	0.335%	0.555%	0.780%	1.110%
55 to 59	0.320%	0.480%	0.795%	1.125%	1.605%
60 to 64	0.435%	0.655%	1.090%	1.530%	2.185%
65 to 69	0.600%	0.900%	1.500%	2.100%	3.000%
70 and over	1.065%	1.600%	2.665%	3.730%	5.330%

* Employee cost for MegaFlex is half of the actual premium. The County pays the other 50%.

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

MEGAFLEX SHORT-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2016 Rates			Proposed 2017 Rates		
<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>	<u>Income Replacement</u>	<u>Waiting Period</u>	<u>Cost</u>
70%	14 Days	0.000%	70%	14 Days	0.000%
100%*	7 Days	0.934%	100%*	7 Days	0.934%

* Reduced to 80% after 21 days

MEGAFLEX LONG-TERM DISABILITY PLAN

Employee Cost as a Percentage of Monthly Salary:

Current 2016 Rates			Proposed 2017 Rates	
<u>Income Replacement</u>	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>	<u>Plan E + * Retirement Plan</u>	<u>All Other Plans</u>
40%	0.000%	0.040%	0.000%	0.040%
60%	0.117%	0.157%	0.117%	0.157%

* Plan E plus 5 or more years of continuous service

**SHORT-TERM DISABILITY, LONG-TERM DISABILITY
AND LONG-TERM DISABILITY HEALTH INSURANCE
CURRENT 2016 RATES AND PROPOSED 2017 RATES**

<u>LONG-TERM DISABILITY HEALTH INSURANCE - Cost per month</u>				
For Flex/MegaFlex Employees				
	<u>Current 2016 Rate</u>		<u>Proposed 2017 Rate</u>	
	75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
	\$0.00	\$3.00	\$0.00	\$3.00
For Represented Employees				
	<u>Current 2016 Rate</u>		<u>Proposed 2017 Rate</u>	
	75 % Premium Payment	100 % Premium Payment	75 % Premium Payment	100 % Premium Payment
	\$0.00	\$3.00	\$0.00	\$3.00

UNION-SPONSORED					
MEDICAL AND DENTAL INSURANCE PLANS					
CURRENT 2016 RATES AND PROPOSED 2017 RATES					
Plan	Option	Coverage Category ^a	Current 2016 Rates ^b	Proposed 2017 Rates ^b	Percentage Change
ALADS Blue Cross	Prudent Buyer Plan Under Age 50	1	\$ 968.94	\$ 1,020.59	5.3%
		2	\$ 1,889.48	\$ 1,983.71	5.0%
		3	\$ 2,172.53	\$ 2,283.83	5.1%
	Prudent Buyer Plan Age 50 and Over	1	\$ 968.94	\$ 1,020.59	5.3%
		2	\$ 1,889.48	\$ 1,983.71	5.0%
		3	\$ 2,172.53	\$ 2,283.83	5.1%
	CaliforniaCare Basic Plan (All Ages)	1	\$ 656.05	\$ 695.14	6.0%
		2	\$ 1,276.32	\$ 1,362.96	6.8%
		3	\$ 1,580.73	\$ 1,682.25	6.4%
	Prudent Buyer Plan Premier Plan Under Age 50	1	\$ 1,092.90	\$ 1,144.55	4.7%
		2	\$ 2,013.44	\$ 2,107.67	4.7%
		3	\$ 2,296.49	\$ 2,407.79	4.8%
	Prudent Buyer Plan Premier Plan Age 50 and Over	1	\$ 1,092.90	\$ 1,144.55	4.7%
		2	\$ 2,013.44	\$ 2,107.67	4.7%
		3	\$ 2,296.49	\$ 2,407.79	4.8%
	CaliforniaCare Premier Plan (All Ages)	1	\$ 780.01	\$ 819.10	5.0%
		2	\$ 1,400.28	\$ 1,486.92	6.2%
		3	\$ 1,704.69	\$ 1,806.21	6.0%
CAPE (Choices) Blue Shield	Classic	1	\$ 878.00	\$ 912.00	3.9%
		2	\$ 1,700.00	\$ 1,767.00	3.9%
		3	\$ 2,024.00	\$ 2,104.00	4.0%
	Lite	1	\$ 536.00	\$ 555.00	3.5%
		2	\$ 1,101.00	\$ 1,141.00	3.6%
		3	\$ 1,375.00	\$ 1,429.00	3.9%
	PPO (Out-of-state only)	1	\$ 877.00	\$ 912.00	4.0%
		2	\$ 1,699.56	\$ 1,766.56	3.9%
		3	\$ 2,023.56	\$ 2,103.56	4.0%
CAPE (Options) Blue Shield	Classic	1	\$ 872.00	\$ 906.00	3.9%
		2	\$ 1,696.44	\$ 1,763.44	3.9%
		3	\$ 2,018.44	\$ 2,098.44	4.0%
	Lite	1	\$ 530.00	\$ 549.00	3.6%
		2	\$ 1,097.44	\$ 1,137.44	3.6%
		3	\$ 1,369.44	\$ 1,423.44	3.9%
	PPO (Out-of-state only)	1	\$ 871.00	\$ 906.00	4.0%
		2	\$ 1,696.00	\$ 1,763.00	4.0%
		3	\$ 2,018.00	\$ 2,098.00	4.0%
FIREFIGHTERS LOCAL 1014		1	\$ 758.00	\$ 792.00	4.5%
		2	\$ 1,441.56	\$ 1,507.56	4.6%
		3	\$ 1,713.56	\$ 1,791.56	4.6%

^a 1 = Employee only

2 = Employee + 1 Dependent

3 = Employee + 2 or more Dependents

^b Rates reflect current negotiated County subsidies

ENCLOSURES TO EXHIBIT V

1. ALADS Request
2. CAPE Request
3. Los Angeles County Fire Fighters Local 1014 Request

ALADS Insurance Trust

9500 Topanga Canyon Blvd. Chatsworth, CA 91311
Tel (818) 678-0040 • (800) 842-6635 • Fax (818) 678-0030

July 14, 2016

VIA U.S. MAIL AND E-MAIL: ECarillo@hr.lacounty.gov

Ms. Lisa M. Garrett, Director of Personnel
County of Los Angeles
Hall of Administration, Room 579
500 West Temple Street
Los Angeles, California 90012

Attention: Ms. Eliza Carrillo, Human Resources Manager
Department of Human Resources
Employee Benefits -- Deferred Income Division
3333 Wilshire Blvd., Suite #1000
Los Angeles, California 90010

RE: ALADS/ANTHEM BLUE CROSS 2017 HEALTHCARE PLAN PREMIUMS

Dear Ms. Carrillo:

Following are the monthly premium rates for the ALADS Anthem Blue Cross Prudent Buyer and CaliforniaCare medical and dental plans for the 2017 plan year:

Plan	Employee	Employee + 1	Employee + 2
Prudent Buyer Basic	\$1,020.59	\$1,989.15	\$2,289.27
Prudent Buyer Premier	\$1,144.55	\$2,113.11	\$2,413.23
CaliforniaCare Basic	\$695.14	\$1,368.40	\$1,687.69
CaliforniaCare Premier	\$819.10	\$1,492.36	\$1,811.65

These rates include the following benefit changes effective January 1, 2017:

Prudent Buyer Dental

- Dental annual maximums will increase from \$1,500 to \$1,750
- Orthodontia lifetime maximums will increase from \$1,500 to \$1,750

Sincerely,



Bud Treece
ALADS Trust Administrator



July 28, 2016

Eliza Carrillo
Senior Human Resources Manager
Employee Benefits-Deferred Income Division
County of Los Angeles
Department of Human Resources
3333 Wilshire Boulevard
Los Angeles, CA 90010

Re: 2017 RENEWAL – CAPE/BLUE SHIELD MEDICAL PLANS

Dear Ms. Carrillo:

This letter is to advise you of the CAPE Benefit Trust Board of Trustees' approval of the renewal of Blue Shield's contracts for the year 2017 for the CAPE/Blue Shield Point of Service Classic, Lite and the out-of-state PPO COBRA medical plans. Attached please find the benefit summaries and rates for all three plans. The Urgent Care benefits were added under Medically Necessary Care on the Lite and Classic Point of Service Plans' summaries. The average Lite plan increase is 3.6% and the Classic and PPO plans' increases are an average of 4%.

There are no core benefit changes for 2017 other than any mandated regulatory changes. We appreciate you forwarding the 2017 CAPE/Blue Shield medical plans' information to the Board of Supervisors for their timely approval.

Sincerely,

CALIFORNIA ASSOCIATION OF
PROFESSIONAL EMPLOYEES BENEFIT TRUST

Nelson Manabat
Chairman
CAPE Benefit Trust Board of Trustees

Attachments

**2017 CAPE/Blue Shield
Classic Plan ***

(800) 487-3092 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	A Point of Service Plan		
Who is Eligible	All Participants	All Participants	All Participants
Calendar Year Deductible	None	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)	\$300 per person; \$600 per family maximum (combined-PPO Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	\$1,500/person; \$3,000/family	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
Lifetime Maximum Benefit	Unlimited	Unlimited	Unlimited
PREVENTIVE CARE			
Immunizations	100%; no copayment	100%; no copayment	100%; no copayment
Periodic Health Exams	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)
Vision Care	VSP Providers-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	Non-VSP Providers-reimbursement per 12 months-exam up to \$45; frames up to \$70; Lenses up to \$65; contacts up to \$105	Non-VSP Providers-reimbursement per 12 months-exam up to \$45; frames up to \$70; Lenses up to \$65; contacts up to \$105
MEDICALLY NECESSARY CARE			
Ambulance	100% after \$50 copayment	90% after deductible	90% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$20 copayment for consultation only (not subject to deductible)	70% after deductible
Urgent Care	\$10 if referred or rendered by Primary Care Physician (PCP) or Medical Group outside PCP/Med. Grp. area	90% after deductible	70% after deductible
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)
Hospital Care	100%; no copayment	90% after deductible	70% after deductible, carrier max payment \$360 per day
Maternity	100%; no copayment	100% after \$20 copayment for consultation only (not subject to deductible)	70% after deductible
Surgery	100%; no copayment (outpatient \$50 copayment)	90% after deductible	70% after deductible, outpatient-carrier max payment \$360 per day
X-Ray & Lab Tests	100%; no copayment	90% after deductible	70% after deductible
Prescription Drugs	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval); Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval); Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	Covered emergencies only - copayment applies
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after \$10 copayment	100% after \$10 copayment ---Provided by Magellan. Must be arranged through MHSA---	70% after deductible
Mental Health-Inpatient	100% no copayment	100% no copayment ---Provided by Magellan. Must be arranged through MHSA---	70% after deductible, carrier max payment \$360 per day
OTHER PLAN BENEFITS			
Chiropractic Care	100% after \$10 copayment	100% after \$10 copayment ---Includes acupuncture; unlimited visits/calendar year (based on medical necessity)--- ---Provided through American Specialty Health Plans---	Not covered
Hearing Aids	\$1,000 maximum benefit every two years	Not covered	Not covered
Home Health Care	100% after \$10 copayment (combined 100 visits per calendar year)	90% after deductible (combined 100 visits per calendar year)	70% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Physical Therapy	100% after \$10 copayment	90% after deductible	70% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	90% after deductible (combined 100 days per calendar year)	70% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2017 Premium Rates

Employee:	\$ 912.00
Employee + One:	\$1,772.44
Employee + Family:	\$2,109.44

**2017 CAPE/Blue Shield
Lite Plan***

(800) 487-3892 www.blueshieldca.com

BENEFITS	PRIMARY CARE NETWORK	PPO NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	A Point of Service Plan		
Who is Eligible	All Participants	All Participants	All Participants
Calendar Year Deductible	None	\$400 per person; \$800 per family maximum (combined-PPO Network and Out-of-Network)	\$400 per person; \$800 per family maximum (combined-PPO Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	\$1,500/person; \$3,000/family	After deductible, \$4,000/person; \$8,000/family (combined - PPO Network and Out-of-Network)	After deductible, \$6,000/person; \$12,000/family (combined - PPO Network and Out-of-Network)
Lifetime Maximum Benefit	Unlimited	Unlimited	Unlimited
PREVENTIVE CARE			
Immunizations	100%; no copayment	100%; no copayment	100%; no copayment
Periodic Health Exams	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)	100%; no copayment (including Well Baby/Well Woman Exam, Pap Smear, and Mammography-not subject to deductible)
Vision Care	VSP Providers-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	Non-VSP Providers-reimbursement per 12 months-exam up to \$45; frames up to \$70; Lenses up to \$65; contacts up to \$105	Non-VSP Providers-reimbursement per 12 months-exam up to \$45; frames up to \$70; Lenses up to \$65; contacts up to \$105
MEDICALLY NECESSARY CARE			
Ambulance	100% after \$50 copayment	80% after deductible	80% after deductible
Doctor Office Visits	100% after \$10 copayment	100% after \$25 copayment for consultation only (not subject to deductible)	70% after deductible
Urgent Care	\$10 if referred or rendered by Primary Care Physician (PCP) or Medical Group w/i service area/\$50 outside PCP/Med. Grp. area	80% after deductible	70% after deductible
Emergency Room	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)	100% after \$50 copayment (waived if admitted)
Hospital Care	100%; no copayment	80% after deductible	70% after deductible, carrier max payment \$360 per day
Maternity	100%; no copayment	100% after \$25 copayment for consultation only (not subject to deductible)	70% after deductible
Surgery	100%; no copayment (outpatient \$75 copayment)	80% after deductible	70% after deductible, outpatient-carrier max pymt \$360 per day
X-Ray & Lab Tests	100%; no copayment	80% after deductible	70% after deductible
Prescription Drugs	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval); Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preapproval)	\$5 (generic), \$15 (brand name), \$30 (nonformulary-requires preapproval); Mail-Order- 90-day Supply: \$10 (generic), \$30 (brand name), \$60 (nonformulary-requires preauthorization)	Covered emergencies only - copayment applies
MENTAL HEALTH CARE			
Mental Health-Outpatient	100% after \$10 copayment	100% after \$10 copayment	70% after deductible
Mental Health-Inpatient	100% no copayment	100% no copayment	70% after deductible, carrier max payment \$360 per day
OTHER PLAN BENEFITS			
Chiropractic Care	100% after \$15 copayment	100% after \$15 copayment	Not covered
---Includes acupuncture; unlimited visits/calendar year (based on medical necessity)--- ---Provided through American Specialty Health Plans---'			
Home Health Care	100% after \$10 copayment (combined 100 visits per calendar year)	80% after deductible (combined 100 visits per calendar year)	70% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Physical Therapy	100% after \$10 copayment	80% after deductible	70% after deductible
Skilled Nursing Facility	100%; no copayment (combined 100 days per calendar year)	80% after deductible (combined 100 days per calendar year)	70% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2017 Premium Rates

Employee Only: \$ 555.00
Employee + One: \$1,146.44
Employee + Family: \$1,434.44

**2017 CAPE/Blue Shield
COBRA PPO Plan***
(800) 487-3092 www.blueshieldca.com

BENEFITS	IN-NETWORK	OUT-OF-NETWORK (Reimbursements Based On Allowable Amount)
Type of Plan	A Preferred Provider Option Plan	
Who is Eligible	Participants residing outside the State of California	Participants residing outside the State of California
Calendar Year Deductible	\$250 per person; \$500 per family maximum (combined-In-Network and Out-of-Network)	\$250 per person; \$500 per family maximum (combined-In-Network and Out-of-Network)
Maximum Annual Out-of-pocket Expenses	After deductible, \$3,000/person; \$6,000/family (combined - In-Network and Out-of-Network)	After deductible, \$10,000/person; \$20,000/family (combined - In-Network and Out-of-Network)
Lifetime Maximum Benefit	Unlimited	Unlimited
PREVENTIVE CARE		
Immunizations	100%; no copayment and not subject to the deductible	100%; no copayment and not subject to the deductible
Periodic Health Exams	100%; no copayment (Includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible)	100%; no copayment (Includes Well Woman Pap Smear and Mammography/Well Baby Lab subject to deductible)
Vision Care	VSP Providers-\$10 exam copayment; \$10 lenses/frames/contact lenses copayment-up to \$120-one per 12 months	Non-VSP Providers-reimbursement per 12 months-exam up to \$45; frames up to \$70; Lenses up to \$65; contacts up to \$105
MEDICALLY NECESSARY CARE		
Ambulance	90% after deductible	90% after deductible
Doctor Office Visits	\$20 copayment (not subject to deductible)	70% after deductible
Emergency Room	90% after \$50 copayment (waived if admitted)	90% after \$50 copayment (waived if admitted)
Hospital Care	90% after deductible	70% after deductible, carrier max payment \$420 per day
Maternity	100% after \$20 copayment (not subject to deductible)	70% after deductible
Surgery	90% after deductible	70% after deductible, outpatient-carrier max pymt \$420 per day
X-Ray & Lab Tests	90% after deductible	70% after deductible
Prescription Drugs	\$10 (generic), \$15 (brand name), \$30 (nonformulary) Mail-Order 90-day Supply: \$20 (generic), \$30 (brand name), \$60 (nonformulary)	Covered for emergencies only- 75% of lesser of actual price or reasonable charge, minus copayment
MENTAL HEALTH CARE		
Mental Health-Outpatient	\$20 copayment (not subject to deductible)	70% after deductible
Mental Health-Inpatient	90% after deductible	70% after deductible, carrier max payment \$420 per day
	Provided by Magellan. Must be arranged through MHSA	
Chiropractic Care	\$20 copayment - maximum 12 visits per calendar year combined with Out-of-Network visits	70% - maximum 12 visits per calendar year combined with In-Network visits
OTHER PLAN BENEFITS		
Home Health Care	90% after deductible (combined 100 visits per calendar year)	70% after deductible (combined 100 visits per calendar year)
Hospice Care	100% when provided by authorized hospice agency	100% when provided by authorized hospice agency
Physical Therapy	90% after deductible	70% after deductible
Skilled Nursing Facility	90% after deductible (combined 100 days per calendar year)	70% after deductible (combined 100 days per calendar year)

*This is a limited benefit summary. Refer to the carrier summary for further details.

In case of discrepancies, the carrier's summary takes precedence.

2017 Premium Rates
Employee Only: \$ 912.00
Employee + One: \$1,772.00
Employee + Family: \$2,109.00



LOS ANGELES COUNTY FIRE FIGHTERS LOCAL 1014 HEALTH AND WELFARE PLAN

3460 FLETCHER AVENUE • EL MONTE, CALIFORNIA 91731
(310) 639-1014 (800) 660-1014 (within California)



July 21, 2016

Ms. Eliza M. Carrillo
Senior Human Resources Manager
Employee Benefits/Deferred Income Division
Department of Human Resources
County of Los Angeles
3333 Wilshire Blvd., Suite #1000
Los Angeles, California 90010

**RE: Plan Year 2017 Employee Insurance Information
Los Angeles County Fire Fighters Local 1014 Health and Welfare Plan**

Dear Ms. Carrillo:

I am providing the plan year 2017 premium changes that were approved by the Board of Trustees.

After conferring with Mercer, the Plan's consultant, the Board of Trustees approved a 4.57% premium increase for 2017. Our monthly rates for 2017, rounded to the nearest dollar are as follows:

Member Only	\$ 792.00
Member + 1 Dependent	\$1,513.00
Family	\$1,797.00

I will send benefit plan changes shortly.

Should you have any questions, please contact me by E-mail at rcyrus@local1014.org or call me at (800) 660-1014.

Sincerely,

A handwritten signature in black ink, appearing to read 'Reginald A. Cyrus'.

Reginald A. Cyrus, CEBS
Administrative Manager

C: Local 1014 Health Plan Trustees

*Representing Professional Firefighters in 58 Cities and the County of Los Angeles
Affiliated with . . . International Association of Fire Fighters, AFL-CIO • California Professional Firefighters, AFL-CIO
California Labor Federation, AFL-CIO • L.A. County Federation of Labor, AFL-CIO*



Local 1014 Benefit Changes for 2017

Increase Excess Dental from \$1,000 to \$1,500 annually

Increase Orthodontia from \$2,000 to \$3,000 lifetime

VSP Enhancements

Enhancement #1: Raise the Plan Allowances (currently \$175 for Frames, \$200 for Contact Lenses) to \$300 each for both Frames & Contacts

Enhancement #2: Add 2nd Pair Frame and Lens Benefit (with Covered Enhancements) for Employees & Dependents

Enhancement #3: Add Ultra-Violet protection lens coating

Enhancement #4: Add Retinal Screening as Covered-in-full \$0 Copay, with same covered enhancements as full service plan

Enhancement #5: Add Coverage for RX Fire Mask Insert (Firefighter only, Lens Only)

Enhancement #6: Suncare Plan. Use annual frame allowance toward ready to wear, non-prescription sunglasses from a VSP provider with Covered Enhancements



Ms. Eliza Carrillo
County of Los Angeles
Page 1

August 10, 2016

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2017 Renewal Results and Recommendations (Represented Plans)

Dear Eliza:

The following letter summarizes the 2017 renewal proposals for medical, dental, life and AD&D plans offered to the represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

The 2017 renewal was impacted by fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), the insurer fee and the reinsurance fee. The Transitional Reinsurance Fee was in place for 2014 – 2016 and was not extended beyond 2016. There was a one-year moratorium for the Health Insurance Industry Fee for 2017. As a result, the 2017 renewals for the County were favorably impacted. For the medical carriers, Cigna, Kaiser and United Healthcare (UHC), the cost impact was a reduction from what the renewal would have been of approximately 1.4% for Kaiser as a not-for-profit organization and 3.4% for CIGNA and UHC as for profit organizations. For the dental carriers, Delta Dental and Safeguard/MetLife, the cost reduction is between 1.0% - 2.1%.

Medical Plans

Overview

For all represented medical plans, the final projected premium increase for 2017 is **3.1%**, or about **\$27.9 million** over 2016 premiums. The initial proposed renewal increase for the represented medical plans was **3.8%**. Negotiated reductions to the medical renewals equate to approximately **\$6.4 million** with no benefit changes. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2017 renewals offered by Cigna, Kaiser and UHC as outlined in the table below.

	Cigna (Choices & Options)	Kaiser Choices	Kaiser Options	UHC Options
Initial 2017 Renewal Action	+9.8%	+1.9%	+1.7%	+7.0%
Final 2017 Renewal Action	+8.0%	+1.9%	+1.7%	+ 5.0%

CIGNA's plans lost grandfathered status for 2015 and the UHC plans lost grandfathered status for 2016. The consequence of losing grandfathered status is that certain benefits



will need to be changed. The changes will be favorable to the members as all day and/or dollar limitations on essential health benefits will be removed. There will be no reductions in member benefits. Kaiser maintained grandfathered status for 2016. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms, and negotiation results are outlined by carrier on the following pages.

Cigna

Cigna initially proposed a **9.8%** increase to the combined HMO and POS rates for 2016, representing an increase over 2016 premiums of approximately **\$5.1 million; \$3.77 million** for Choices and **\$1.32 million** for Options.

Renewal discussions with Cigna targeted the following issues:

- Medical and pharmacy trend methodology
- Analysis of expense calculation
- High per member per month charge

The County's financial arrangement with Cigna provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the Premium Stabilization Reserve (PSR) and any shortfall is withdrawn from the PSR, to the extent that funds are available. The PSR had grown to a significant level by 2008 and a premium subsidy was applied to the 2009 renewal. No subsidy was applied to the 2010 rates. As claim experience deteriorated, the annual accounting resulted in a deficit, and the stabilization reserve was exhausted. Therefore, there has been no premium offset from the PSR for renewals from 2011 to 2016, and again there is no premium offset for 2017. The chart below summarizes the most recent five years of the PSR (updated based on settlements provided by Cigna).

	2011	2012	2013	2014	2015
Premium	\$61,154,703	\$61,520,806	\$60,801,757	\$56,937,422	\$53,054,005
Year-end (PSR)	(\$414,033)	(\$1,320,683)	(\$1,238,710)	(\$5,316,794)	(\$1,442,064)
PSR % of Premium	-0.68%	-2.15%	-2.04%	-9.34%	-2.72%

Negotiations with Cigna resulted in a final **8.0%** increase. This amounts to an increase of approximately **\$3.1 million** for Choices, and **\$1.1 million** for Options over current costs, and a savings of approximately **\$0.9 million** from Cigna's original proposal. We believe that Cigna has justified their renewal position and that the County should accept their offer.

Kaiser

Kaiser's initial and final renewal proposal was a **1.9%** increase for the Choices plan, representing an increase from 2016 premiums of approximately **\$2.6 million**. Kaiser's



renewal proposal for Options was a **1.7%** increase, representing an increase from 2016 premiums of approximately **\$7.4 million**. Combined, Kaiser's initial renewal proposal for the represented population is a **1.8%** increase, representing an increase from 2016 premiums of approximately **\$10.0 million**.

Kaiser's Southern California commercial trend rate for 2017 is projected to be 4.8%. Kaiser had performance guarantee penalties of \$212,237 for Choices and \$622,737 for Options, to be applied to the 2017 rates.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Large claims pooling point
- Medical and pharmacy claims trend
- Historical loss ratio
- ICM fees excess
- Incurred claims adjustment

Aon Hewitt negotiated with Kaiser, and Kaiser refused to move from the initial renewal increase of **1.9%** and **1.7%** above 2016 costs for the Choices and Options plan, respectively. Aon Hewitt believes that the requested rate increase for the Kaiser Permanente represented plans is reasonable and justified.

United Healthcare

UHC's initial renewal proposal was a **7.0%** overall increase. The increases were a **6.8%** increase to the HMO and a **23.9%** increase to the PPO rates for 2017, representing a total increase of approximately **\$19.1 million** over current premiums. Discussions with UHC targeted the following key areas:

- Medical & pharmacy claims trend
- Capitation projections
- Pooling charges
- Retention
- Demographic adjustment

Negotiations with UHC resulted in an increase of **4.8%** for the HMO and a **23.9%** increase for the PPO, for a combined increase of **5.0%**, representing a total increase of approximately **\$13.7 million**, and a total savings of **\$5.5 million** over the initial renewal position. UHC had 2015 performance guarantee penalties of **\$400,000**, to be applied to the 2017 rates.

The County's financial arrangement with UHC provides for a year-end reconciliation of premiums, claims, and expenses associated with the plan. Surpluses are deposited to the PSR and any shortfall is withdrawn from the PSR, to the extent that funds are available. No premium subsidy will be applied for 2017.

We believe that UHC has justified their renewal position and the County should accept their offer.



Dental Plans

Delta Dental

Delta initially proposed a **2.7%** decrease to the rates for 2017, representing a decrease over 2016 premiums of approximately **\$2.05 million; \$120,000** for Choices and **\$1.93 million** for Options.

Negotiations with Delta resulted in a decrease of **4.8%** for Choices and a **6.9%** decrease for Options, for a combined decrease of **6.4%**, representing a total decrease of approximately **\$4.76 million**, and a total savings of **\$2.71 million** over the initial renewal position. The Delta DPPO had performance penalties of \$62,567 for Choices and Options and the amount will be credited to the PSR. The DHMO plan had penalties of \$13,893 which will be credited to the 2017 renewal. Beginning in January 2017, Delta Dental will pay interest on a monthly basis on the plus stabilization reserve balance for the DPPO plan at the end of the prior month. Interest will be paid at the 90-day Treasury Bill rate. Interest payments will be calculated separately for "Choices" and "Options" and credited to the plus stabilization reserve balance each month.

Safeguard Prepaid Dental

Safeguard initially proposed a **2.7%** increase to the rates for 2017, representing an increase over 2016 premiums of approximately **\$62,000; \$23,000** for Choices and **\$39,000** for Options.

Negotiations with Safeguard resulted in a rate pass for Choices and Options. Due to 2015 performance guarantee penalties of **\$4,390**, Safeguard's billed rates will be **0.2% less than the full renewal rates**.

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At this time, there is no surplus available. There were no changes to the basic life rates for 2017.

Cigna initially proposed a flat renewal for the employee and dependent supplemental life as well as the AD&D insurance. Negotiations with Cigna resulted in a 5% decrease on the employee supplemental life and a 4.8% decrease on the AD&D insurance. This is a three-year renewal and rates are guaranteed through December 31, 2019.

If you have any questions about the above information, please give me a call to discuss.



Ms. Eliza Carrillo
County of Los Angeles
Page 5

Sincerely,

A handwritten signature in black ink, appearing to read "Vern Menden", with a horizontal line extending from the end of the signature.

Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Pamela Missett – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Susan Moomjean – County of Los Angeles
Robin Urban – County of Los Angeles
Stephen Caulk – Aon Hewitt, Denver
Linda Ung, Aon Hewitt, Los Angeles



Addendum

Process

The renewal request, analysis, and negotiation are multi-step processes, conducted over a period of several months. Requests for Renewal (RFRs) are drafted and reviewed by the Aon Hewitt and County stakeholders.

The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer with the authority to bind the carrier
- Questionnaire targeting key County objectives and issues, including rate development, utilization, and legislative issues such as health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development, and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt meets with the County, the Unions and their respective consultants to solicit input and comments on the renewal proposals. All of the comments and input are summarized and communicated to the various carriers. Conference calls and meetings are held between Aon Hewitt and the County as needed to discuss the renewal results, negotiation process, and any open issues.

Responses from the carriers are due prior to the renewal meetings and the responses are delivered to all stakeholders concurrently. Final issues are reviewed in preparation for the renewal meetings.

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEO offices, Union consultants, BAC and EBAC committees, and Aon Hewitt, as well as the carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.



Ms. Eliza Carrillo
County of Los Angeles
Page 1

August 10, 2016

Ms. Eliza Carrillo
Senior HR Manager
County of Los Angeles
3333 Wilshire Boulevard, Suite 1000
Los Angeles, CA 90010-4101

Subject: Summary of 2017 Renewal Results and Recommendations (Non-Represented Plans)

Dear Eliza:

The following letter summarizes the 2017 renewal proposals for medical, dental, life and AD&D plans offered to the non-represented employees at the County of Los Angeles (the County), including our analysis, observations, and recommendations. The renewal request and negotiation process is outlined in the attached Addendum.

The 2017 renewal was impacted by fees imposed under the Affordable Care Act (ACA), the Patient Centered Outcomes Research Institute (PCORI), the insurer fee and the reinsurance fee. The Transitional Reinsurance Fee was in place for 2014 – 2016 and was not extended beyond 2016. There was a one-year moratorium for the Health Insurance Industry Fee for 2017. As a result, the 2017 renewals for the County were favorably impacted. For the medical carriers the cost impact was a reduction from what the renewal would have been of approximately 0.4% for Kaiser as a not-for-profit organization and 1.4% for Anthem as a for profit organization. For the dental carriers, Delta Dental and Safeguard/MetLife, the cost reduction is between 1.0 – 2.1%.

Medical Plans

Overview

For all non-represented medical plans, the final projected premium increase for 2017 is **3.5%**, approximately **\$6.8 million** over 2016 premiums. The initial proposed renewal increase for the non-represented medical plans was **3.6%**. Negotiated reductions to the medical renewals equate to approximately **\$101,000** with no benefit changes. For more details on final rate increases, please refer to Attachment C.

After evaluation of the renewal proposals, Aon Hewitt recommends that the County accept the final 2017 renewals offered by Anthem and Kaiser. The Anthem Catastrophic plan lost grandfathered status for 2015. The Anthem and Kaiser HMO plans lost grandfathered status for 2016. The Anthem PPO and POS plan maintained grandfathered status for 2016. The consequence of losing grandfathered status is that certain benefits will need to be changed. The changes will be favorable to the members as all day and/or dollar limitations on essential health benefits will be removed. There will be no reductions in member benefits. We recommend the County seek the advice of their own legal counsel in this regard, as Aon Hewitt is not a law firm and cannot provide legal advice.

A summary of key issues, proposal terms and negotiation results are outlined by carrier on the following pages.



	Anthem	Kaiser
Initial 2017 Renewal Action	+1.4%	+7.6%
Final 2017 Renewal Action	+1.3%	+7.6%

Anthem Blue Cross

The Anthem Blue Cross program is a minimum premium arrangement, where expected and maximum liability costs are projected based on prior claims experience and the fixed costs associated with administration of the plan. The Anthem maximum liability costs are the basis for the renewals outlined in this letter. Anthem's initial renewal proposal was a **1.4%** increase across all plans or about **\$1.8 million** over 2016 costs. All plans include specific stop loss of \$300,000 per individual. Aggregate stop continues at 110% of projected claims for all Anthem lines of coverage.

Renewal discussions with Anthem targeted the following key areas:

- Retention increase
- Pooling charges
- Medical and pharmacy trends by product
- Capitation rates

Negotiations resulted in an overall increase of **1.3%** across all plans or about **\$1.7 million** over 2016 costs, with negotiated reductions of approximately **\$101,000**.

Anthem provided their 2015 performance guarantee report and applied the penalty of **\$199,548** as a credit to the County's July 2016 invoice, so there is no direct impact to the renewal.

Vision benefits for the HMO, POS and PPO plans are offered on a non-participating fully insured basis through an arrangement between Anthem and VSP. There is also a portion of the vision benefit (coverage for laser eye surgery) that is self-insured by the County. The insured portion of the VSP benefit renewed is on a rate guarantee through 12/31/2018. The cost of the vision program is included in the Anthem renewals described above.

We believe Anthem's most recent renewal proposal is justified and recommend that the County accept it.



Kaiser

Kaiser's initial and final renewal proposal was a **7.6%** increase or about **\$5.1 million** above 2016 costs for the Flex/MegaFlex plan. Kaiser had performance guarantee penalties of \$103,199 for the non-represented population that will be applied to 2017 rates.

Discussions with Kaiser on the renewal proposal targeted the following areas:

- Large claims pooling point
- Medical and pharmacy claims trend
- Historical loss ratio
- ICM fees excess
- Incurred claims management

We negotiated with Kaiser, and Kaiser refused to move from the initial renewal increase of 7.6% above 2016 costs for the Flex/MegaFlex plan. We believe Kaiser's renewal proposal is justified and recommend that the County accept it.

Recalibration of Medical Plan Rates

In an analysis Aon conducted for the County, we determined that the current ratio of the employee only rates is out of line with the actual costs by dependent tier as well as the contributions made by the employees. We informed Anthem and Kaiser of the County's desire to recalibrate rates to continue to reflect the expected costs by tier and they support the change. Therefore, we propose to recalibrate the rates as well as the employee contributions towards the expected cost of the medical plans for 2017 in a cost-neutral manner for the County and the employees.

Dental Plans

Delta Dental

Delta initially proposed a **1.2%** decrease to the rates for 2017, representing a decrease over 2016 premiums of approximately **\$146,000**.

Negotiations with Delta resulted in a decrease of **2.0%**, representing a decrease of **\$252,000**, and a total savings of **\$106,000** over the initial renewal position. The Delta DPPO had performance penalties of \$10,415 and the amount will be credited to the PSR. The DHMO plan had penalties of \$1,350 which will be credited to the 2017 renewal. Beginning in January 2017, Delta Dental will pay interest on a monthly basis on the plus stabilization reserve balance at the end of the prior month. Interest will be paid at the 90-day Treasury Bill rate. Interest payments will be calculated separately for "Flex/MegaFlex" and credited to the plus stabilization reserve balance each month.

Safeguard Prepaid Dental

Safeguard initially proposed a **2.7%** increase to the rates for 2017, representing an increase over 2016 premiums of approximately **\$6,000**.



Ms. Eliza Carrillo
County of Los Angeles
Page 4

Negotiations with Delta resulted in a rate pass and a total savings of **\$6,000** over the initial renewal position. Due to 2015 performance guarantee penalties of **\$359**, Safeguard's billed rates will be **0.2% less than the full renewal rates**.

Life and AD&D

Cigna Life

The basic life plan is a participating contract, meaning the County shares in surpluses on the plan. At this time, there is no surplus available. There were no changes to the basic life rates for 2017.

Cigna initially proposed a flat renewal for the employee and dependent supplemental AD&D insurance. Negotiations with Cigna resulted in a 4.8% decrease on the AD&D insurance.

If you have any questions about the above information, please give me a call to discuss.

Sincerely,

A handwritten signature in black ink, appearing to read "Vern Menden", is written over a light blue horizontal line.

Vern Menden
Senior Vice President
Aon Hewitt, Los Angeles

CC:

Pamela Missett – County of Los Angeles
Maryanne Keehn – County of Los Angeles
Susan Moomjean – County of Los Angeles
Robin Urban – County of Los Angeles
Stephen Caulk – Aon Hewitt, Denver
Linda Ung, Aon Hewitt, Los Angeles



Addendum

Process

The renewal request, analysis and negotiation are multi-step processes, conducted over a period of several months. A planning meeting with the County begins the process in which objectives for the following plan year are established. This process was conducted by the County and Aon Hewitt.

Based on the planning meeting discussions, a Request for Renewal (RFR) was drafted. The RFR includes:

- Stated assumptions and requirements, including a submission letter to be signed by an officer of the carrier with the authority to bind their proposal
- Questionnaire targeting key County objectives and issues, including rate development, utilization, legislative issues such as mental health parity and health care reform
- Plan performance exhibits comparing the County's past plan results to the carriers' book of business results
- Rate quotation, rate development and projected cost exhibits
- Benefit design and contract changes
- Performance guarantees

All stakeholders submit requested changes to the draft. These are reviewed and incorporated into the final RFR, which is then released to the carriers.

Carrier proposals are submitted to all stakeholders at the same time. Following a review and analysis period, Aon Hewitt solicits input and comments from the County, and their comments are incorporated into the communications to the . Conference calls and meetings are held between Aon Hewitt and the County as needed to discuss the renewal results, negotiation process and any open issues.

Responses to the communications are due from the carriers prior to the renewal meetings. Again, the responses are delivered to all stakeholders concurrently. Final issues are reviewed and prepared for the renewal meetings.

Renewal meetings are conducted with each medical plan carrier. Attendees include representatives from the County of Los Angeles DHR and CEOs' offices, Aon Hewitt, and carrier representatives. The carrier representatives generally include account/sales management, financial, operations, and medical/provider relations personnel. Issues discussed during the meetings include both financial and non-financial questions that explore carriers' methodologies for rate development. Outstanding issues and requests for reduced rates (when justified) are presented to each carrier. Following the meeting, carriers must respond to all identified issues in writing to all stakeholders.

The review and negotiation process continues until all open issues are resolved or the carrier has presented their final offer. The negotiation does not always result in agreement on particular topics; however, it may result in overall business concessions from the carriers.

**County of Los Angeles
2017 Renewal Results**

	2016 Current Plan	2017 Initial Renewal Current Plan	2017 Negotiated Renewal Current Plan	% Change from 2016	Negotiated Savings	Performance Guarantee Credits	Total Change from Base Renewal
Flex/MegaFlex							
Kaiser	\$66,908,359	\$71,980,509	\$71,880,509	7.6%	\$0	\$103,199	(\$103,199)
Anthem ¹	\$124,976,400	\$126,757,027	\$126,656,028	1.3%	\$101,000	\$199,548	(\$300,548)
Options							
Kaiser ²	\$428,660,920	\$436,108,768	\$436,108,768	1.7%	\$0	\$622,737	(\$622,737)
Cigna ³	\$13,519,829	\$14,844,471	\$14,601,171	8.0%	\$243,300	\$0	(\$243,300)
UnitedHealthcare	\$271,525,512	\$290,640,133	\$285,178,617	5.0%	\$5,460,516	\$400,000	(\$5,860,516)
Choices							
Kaiser ²	\$138,562,566	\$141,151,226	\$141,151,226	1.9%	\$0	\$212,237	(\$212,237)
Cigna ³	\$38,505,002	\$42,278,823	\$41,585,759	8.0%	\$693,065	\$0	(\$693,065)
Total Medical⁴	\$1,082,658,589	\$1,123,760,959	\$1,117,263,078	3.2%	\$6,497,881	\$1,537,721	(\$8,035,602)
Delta PPO & DeltaCare HMO²							
Flex	\$12,411,099	\$12,265,160	\$12,155,884	-2.0%	\$106,477	\$11,765	(\$118,242)
Options	\$55,577,574	\$53,647,353	\$51,742,542	-8.9%	\$1,904,812	\$55,606	(\$1,960,418)
Choices	\$19,380,726	\$19,260,854	\$18,453,728	-4.8%	\$807,125	\$20,855	(\$827,980)
Safeguard²							
Flex	\$188,502	\$194,028	\$188,502	0.0%	\$5,526	\$359	(\$5,884)
Options	\$1,327,899	\$1,366,864	\$1,327,899	0.0%	\$38,964	\$2,576	(\$41,541)
Choices	\$775,097	\$797,850	\$775,097	0.0%	\$22,753	\$1,479	(\$24,232)
Total Dental⁴	\$89,660,897	\$87,532,110	\$84,848,454	-5.6%	\$2,885,656	\$92,640	(\$2,978,296)
Cigna Basic Life	\$615,681	\$615,681	\$615,681	0.0%	\$0	\$0	\$0
Cigna AD&D	\$4,471,231	\$4,471,231	\$4,257,972	-4.8%	\$213,259	\$0	(\$213,259)
Cigna Optional Employee Life	\$36,028,267	\$36,028,267	\$34,238,043	-5.0%	\$1,790,224	\$0	(\$1,790,224)
Cigna Dependent Life	\$1,652,266	\$1,652,266	\$1,652,266	0.0%	\$0	\$0	\$0
Total Life & AD&D⁵	\$42,767,445	\$42,767,445	\$40,763,961	-4.7%	\$2,003,484	\$0	(\$2,003,484)
TOTAL	\$1,215,086,931	\$1,254,060,514	\$1,242,873,483	2.3%	\$11,387,021	\$1,630,361	(\$13,017,382)

Footnotes:

1. Anthem rates are calculated based on an expected premium basis plus 1% claims margin
2. Performance guarantee penalties are reported together by carrier but are shown split by group based on premium volume; penalty amounts are credited by a billed rate reduction from full renewal rate
3. Cigna does not incorporate performance guarantee penalties into rates; penalty amounts are credited to the PSR
4. Medical & dental premiums are calculated using January 2016 enrollment to project estimated annual cost
5. Life & AD&D premiums are calculated using February 2016 premium payments to project estimated annual cost
6. Underlying rates are rounded to two decimal places; percentages shown are rounded to one decimal point